

SOHU.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended			Six Months Ended	
	Jun. 30, 2006	Mar. 31, 2006	Jun. 30, 2005	Jun. 30, 2006	Jun. 30, 2005
Revenues:					
Advertising					
Brand advertising	\$ 19,304	\$ 16,675	\$ 13,859	\$ 35,979	\$ 25,983
Sponsored search	3,526	3,450	3,105	6,976	5,836
Subtotal of advertising revenues	<u>22,830</u>	<u>20,125</u>	<u>16,964</u>	<u>42,955</u>	<u>31,819</u>
Non-advertising					
Wireless	8,994	8,009	6,360	17,003	12,319
Others	2,250	2,280	1,714	4,530	3,360
Subtotal of non-advertising revenues	<u>11,244</u>	<u>10,289</u>	<u>8,074</u>	<u>21,533</u>	<u>15,679</u>
Total revenues	<u>34,074</u>	<u>30,414</u>	<u>25,038</u>	<u>64,488</u>	<u>47,498</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$264, \$339, \$0, \$603 and \$0, respectively)	5,610	4,331	3,407	9,941	6,217
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$22, \$22, \$0, \$44 and \$0, respectively)	<u>1,247</u>	<u>1,092</u>	<u>699</u>	<u>2,339</u>	<u>1,180</u>
Subtotal of advertising cost of revenues	<u>6,857</u>	<u>5,423</u>	<u>4,106</u>	<u>12,280</u>	<u>7,397</u>
Non-advertising					
Wireless	4,464	3,812	2,871	8,276	5,193
Others (includes share-based compensation expense under SFAS 123(R) of \$5, \$5, \$0, \$10 and \$0, respectively)	<u>826</u>	<u>792</u>	<u>675</u>	<u>1,618</u>	<u>1,348</u>
Subtotal of non-advertising cost of revenues	<u>5,290</u>	<u>4,604</u>	<u>3,546</u>	<u>9,894</u>	<u>6,541</u>
Total cost of revenues	<u>12,147</u>	<u>10,027</u>	<u>7,652</u>	<u>22,174</u>	<u>13,938</u>
Gross profit	21,927	20,387	17,386	42,314	33,560
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$369, \$493, \$0, \$862 and \$0, respectively)	4,617	4,243	3,594	8,860	6,736
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$298, \$448, \$0, \$746 and \$0, respectively)	7,033	6,374	4,012	13,407	8,439
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$313, \$424, \$0, \$737 and \$0, respectively)	3,199	3,076	2,409	6,275	4,899
Amortization of intangibles	<u>509</u>	<u>509</u>	<u>474</u>	<u>1,018</u>	<u>930</u>
Total operating expenses	<u>15,358</u>	<u>14,202</u>	<u>10,489</u>	<u>29,560</u>	<u>21,004</u>
Operating profit	6,569	6,185	6,897	12,754	12,556
Other income/(expense)	711	(68)	(92)	643	(262)
Interest income	<u>787</u>	<u>529</u>	<u>555</u>	<u>1,316</u>	<u>1,128</u>
Income before income tax expense	8,067	6,646	7,360	14,713	13,422
Income tax expense	<u>(303)</u>	<u>(443)</u>	<u>(50)</u>	<u>(746)</u>	<u>(112)</u>
Income from continuing operations	<u>\$ 7,764</u>	<u>\$ 6,203</u>	<u>\$ 7,310</u>	<u>\$ 13,967</u>	<u>\$ 13,310</u>
Loss from discontinued E-commerce operations	<u>(592)</u>	<u>(165)</u>	<u>(210)</u>	<u>(757)</u>	<u>(496)</u>
Net Income	<u>7,172</u>	<u>6,038</u>	<u>7,100</u>	<u>13,210</u>	<u>12,814</u>
Basic net income per share	<u>\$ 0.19</u>	<u>\$ 0.16</u>	<u>\$ 0.20</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>
Shares used in computing basic net income per share	<u>36,943</u>	<u>36,768</u>	<u>36,015</u>	<u>36,856</u>	<u>36,093</u>
Diluted net income per share	<u>\$ 0.19</u>	<u>\$ 0.16</u>	<u>\$ 0.18</u>	<u>\$ 0.34</u>	<u>\$ 0.33</u>
Shares used in computing diluted net income per share	<u>39,474</u>	<u>39,384</u>	<u>39,596</u>	<u>39,430</u>	<u>39,764</u>

SOHU.COM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN THOUSANDS)

	<u>As of Jun. 30, 2006</u>	<u>As of Dec. 31, 2005</u>
		(Audited)
ASSETS		
Cash, cash equivalents and investments in		
marketable debt securities	\$ 132,898	\$ 133,086
Accounts receivable, net	23,749	19,283
Prepaid and other current assets	4,045	4,546
Fixed assets, net	16,717	15,745
Goodwill	51,440	50,918
Intangible assets, net	9,688	11,251
Restricted cash	1,001	991
Other assets, net	4,652	3,861
	\$ 244,190	\$ 239,681
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 34,922	\$ 35,053
Zero coupon convertible senior notes	59,780	74,780
Total liabilities	94,702	109,833
Shareholders' equity	149,488	129,848
	\$ 244,190	\$ 239,681

SOHU.COM INC.
RECONCILIATIONS TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	<u>Three Months Ended Jun. 30, 2006</u>			<u>Three Months Ended Mar. 31, 2006</u>			<u>Three Months Ended Jun. 30, 2005</u>		
	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>
Revenues:									
Advertising									
Brand advertising	\$ 19,304	\$ -	\$ 19,304	\$ 16,675	\$ -	\$ 16,675	\$ 13,859	\$ -	\$ 13,859
Sponsored search	3,526	-	3,526	3,450	-	3,450	3,105	-	3,105
Subtotal of advertising revenues	22,830	-	22,830	20,125	-	20,125	16,964	-	16,964
Non-advertising									
Wireless	8,994	-	8,994	8,009	-	8,009	6,360	-	6,360
Other	2,250	-	2,250	2,280	-	2,280	1,714	-	1,714
Subtotal of non-advertising revenues	11,244	-	11,244	10,289	-	10,289	8,074	-	8,074
Total revenues	34,074	-	34,074	30,414	-	30,414	25,038	-	25,038
Cost of revenues:									
Advertising									
Brand advertising	5,610	(264) (a)	5,346	4,331	(339) (a)	3,992	3,407	-	3,407
Sponsored search	1,247	(22) (a)	1,225	1,092	(22) (a)	1,070	699	-	699
Subtotal of advertising cost of revenues	6,857	(286)	6,571	5,423	(361)	5,062	4,106	-	4,106
Non-advertising									
Wireless	4,464	-	4,464	3,812	-	3,812	2,871	-	2,871
Others	826	(5) (a)	821	792	(5) (a)	787	675	-	675
Subtotal of non-advertising cost of revenues	5,290	(5)	5,285	4,604	(5)	4,599	3,546	-	3,546
Total cost of revenues	12,147	(291)	11,856	10,027	(366)	9,661	7,652	-	7,652
Gross profit	21,927	291	22,218	20,387	366	20,753	17,386	-	17,386
Operating expenses:									
Product development	4,617	(369) (a)	4,248	4,243	(493) (a)	3,750	3,594	-	3,594
Sales and marketing	7,033	(298) (a)	6,735	6,374	(448) (a)	5,926	4,012	-	4,012
General and administrative	3,199	(313) (a)	2,886	3,076	(424) (a)	2,652	2,409	-	2,409
Amortization of intangibles	509	-	509	509	-	509	474	-	474
Total operating expenses	15,358	(980)	14,378	14,202	(1,365)	12,837	10,489	-	10,489
Operating profit	6,569	1,271	7,840	6,185	1,731	7,916	6,897	-	6,897
Other income/ (expense)	711	-	711	(68)	-	(68)	(92)	-	(92)
Interest income	787	-	787	529	-	529	555	-	555
Income before income tax expense	8,067	1,271	9,338	6,646	1,731	8,377	7,360	-	7,360
Income tax expense	(303)	-	(303)	(443)	-	(443)	(50)	-	(50)
Income from continuing operations	7,764	1,271	9,035	6,203	1,731	7,934	7,310	-	7,310
Loss from discontinued E-commerce operations	(592)	-	(592)	(165)	-	(165)	(210)	-	(210)
Net income	\$ 7,172	\$ 1,271	\$ 8,443	\$ 6,038	\$ 1,731	\$ 7,769	\$ 7,100	\$ -	\$ 7,100
Basic net income per share	\$ 0.19		\$ 0.23	\$ 0.16		\$ 0.21	\$ 0.20		\$ 0.20
Shares used in computing basic net income per share	36,943		36,943	36,768		36,768	36,015		36,015
Diluted net income per share	\$ 0.19		\$ 0.22	\$ 0.16		\$ 0.20	\$ 0.18		\$ 0.18
Shares used in computing diluted net income per share	39,474		39,780	39,384		39,384	39,596		39,596

SOHU.COM INC.
RECONCILIATIONS TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	<u>Six Months Ended Jun. 30, 2006</u>			<u>Six Months Ended Jun. 30, 2005</u>		
	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>
Revenues:						
Advertising						
Brand advertising	\$ 35,979	\$ -	\$ 35,979	\$ 25,983	\$ -	\$ 25,983
Sponsored search	<u>6,976</u>	<u>-</u>	<u>6,976</u>	<u>5,836</u>	<u>-</u>	<u>5,836</u>
Subtotal of advertising revenues	<u>42,955</u>	<u>-</u>	<u>42,955</u>	<u>31,819</u>	<u>-</u>	<u>31,819</u>
Non-advertising						
Wireless	17,003	-	17,003	12,319	-	12,319
Other	<u>4,530</u>	<u>-</u>	<u>4,530</u>	<u>3,360</u>	<u>-</u>	<u>3,360</u>
Subtotal of non-advertising revenues	<u>21,533</u>	<u>-</u>	<u>21,533</u>	<u>15,679</u>	<u>-</u>	<u>15,679</u>
Total revenues	64,488	-	64,488	47,498	-	47,498
Cost of revenues:						
Advertising						
Brand advertising	9,941	(603) (a)	9,338	6,217	-	6,217
Sponsored search	<u>2,339</u>	<u>(44) (a)</u>	<u>2,295</u>	<u>1,180</u>	<u>-</u>	<u>1,180</u>
Subtotal of advertising cost of revenues	<u>12,280</u>	<u>(647)</u>	<u>11,633</u>	<u>7,397</u>	<u>-</u>	<u>7,397</u>
Non-advertising						
Wireless	8,276	-	8,276	5,193	-	5,193
Others	<u>1,618</u>	<u>(10) (a)</u>	<u>1,608</u>	<u>1,348</u>	<u>-</u>	<u>1,348</u>
Subtotal of non-advertising cost of revenues	<u>9,894</u>	<u>(10)</u>	<u>9,884</u>	<u>6,541</u>	<u>-</u>	<u>6,541</u>
Total cost of revenues	22,174	(657)	21,517	13,938	-	13,938
Gross profit	42,314	657	42,971	33,560	-	33,560
Operating expenses:						
Product development	8,860	(862) (a)	7,998	6,736	-	6,736
Sales and marketing	13,407	(746) (a)	12,661	8,439	-	8,439
General and administrative	6,275	(737) (a)	5,538	4,899	(2) (b)	4,897
Amortization of intangibles	<u>1,018</u>	<u>-</u>	<u>1,018</u>	<u>930</u>	<u>-</u>	<u>930</u>
Total operating expenses	<u>29,560</u>	<u>(2,345)</u>	<u>27,215</u>	<u>21,004</u>	<u>(2)</u>	<u>21,002</u>
Operating profit	12,754	3,002	15,756	12,556	2	12,558
Other income/ (expense)	643	-	643	(262)	-	(262)
Interest income	<u>1,316</u>	<u>-</u>	<u>1,316</u>	<u>1,128</u>	<u>-</u>	<u>1,128</u>
Income before income tax expense	14,713	3,002	17,715	13,422	2	13,424
Income tax expense	<u>(746)</u>	<u>-</u>	<u>(746)</u>	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Income from continuing operations	13,967	3,002	16,969	13,310	2	13,312
Loss from discontinued E-commerce operations	<u>(757)</u>	<u>-</u>	<u>(757)</u>	<u>(496)</u>	<u>-</u>	<u>(496)</u>
Net income	<u>\$ 13,210</u>	<u>\$ 3,002</u>	<u>\$ 16,212</u>	<u>\$ 12,814</u>	<u>\$ 2</u>	<u>\$ 12,816</u>
Basic net income per share	<u>\$ 0.36</u>		<u>\$ 0.44</u>	<u>\$ 0.36</u>		<u>\$ 0.36</u>
Shares used in computing basic net income per share	<u>36,856</u>		<u>36,856</u>	<u>36,093</u>		<u>36,093</u>
Diluted net income per share	<u>\$ 0.34</u>		<u>\$ 0.42</u>	<u>\$ 0.33</u>		<u>\$ 0.33</u>
Shares used in computing diluted net income per share	<u>39,430</u>		<u>39,583</u>	<u>39,764</u>		<u>39,764</u>

Note:

- (a) To eliminate share-based compensation expense as measured using the fair value method under SFAS 123(R).
(b) To eliminate share-based compensation expense as measured using the intrinsic value method under APB 25.